



Child and Community Services Division Policy & Procedures

Subject: Emergency Rental Assistance Program Overpayments
Process Owner: Child and Community Services Division
Effective Date: 04/28/2025
Revision Number: 1

Emergency Rental Assistance Program Overpayments

I. POLICY STATEMENT

The purpose of this policy is to provide guidance on the Child and Community Services Division (CCSD or Division), Community Services Programs (CSP), procedures for processing Overpayments identified in the Emergency Rental Assistance Program (ERAP), to include standards for identifying and documenting Overpayments, and recovery of overpaid funds. Guidance for processing Overpayments associated with fraudulent activity are also covered by this Policy, with additional guidance provided by the ERAP Fraud Management Policy.

Revision 1

Clerical fixes

Updates Notice of Ineligibility and Overpayment

Clarifies processing requirements and timelines

II. TABLE OF CONTENTS

I. POLICY STATEMENT.....	1
II. TABLE OF CONTENTS.....	2
III. APPLICABILITY.....	3
IV. AUTHORITY.....	3
V. DEFINITIONS.....	3
VI. STANDARDS.....	4
VII. PROCEDURES.....	5
A. Overpayment Monitoring.....	5
B. Documenting Overpayments.....	5
C. Fraud Reporting.....	7
D. Overpayment Processing.....	7
1. Referring an Overpayment.....	7
2. Overpayment Collection.....	8
E. Duties and Responsibilities.....	9
1. CCSD.....	9
2. OARC.....	9
3. ASA.....	11
F. Confidentiality.....	11
G. Records Retention.....	11
Appendix 1 - Notice of Ineligibility and Overpayment.....	12

III. **APPLICABILITY**

This policy applies to all Department of Economic Security (DES) Employees and contracting staff who are involved with administration of DES Programs.

IV. **AUTHORITY**

[2 CFR 200](#)

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

[Pub. L. 116-260](#)

Consolidated Appropriations Act of 2021

[Pub. L. 117-2](#)

American Rescue Plan Act of 2021

V. **DEFINITIONS**

Administrative Error: A Client unintentionally giving the Department incomplete or incorrect information, or failing to correct erroneous information, or other error at no fault of the client.

Administrative Review Team (ART): A designated panel of CCSD CSP experts that review grievances and associated case files, evidence, and statements provided by Clients, when requested.

Appellate Services Administration (ASA): Administration within the Office of Inspector General (OIG) that reviews and resolves disputes resulting from Department actions through a professional and impartial administrative appeals process.

Applicant (or Client): A person who applies for, or receives Program benefits subject to this policy.

Collection: The process of recovering Overpayment of Department funds from a Client using formal Office of Account Receivable and Collections (OARC) debt collections processes. Collections may be initiated by CCSD or other DES entities, and are processed by OARC in accordance with applicable OARC guidance.

Employee: Any full-time or part-time worker, or temporary paid or unpaid worker, who is employed directly by DES.

Fraud: Any knowing misrepresentation or concealment of material facts to obtain benefits to which the Client is not lawfully entitled..

Office of Account Receivable and Collections (OARC): Administration within the DES Division of Business Services that provides interpretation and application of federal and

state rules, regulations, and laws applicable to accounts receivable and overpayment collection activities for DES.

Office of Inspector General (OIG): Administration which conducts administrative and criminal investigations to prevent and detect fraud, waste, abuse and misconduct in public assistance programs administered by DES; and conducts investigations of suspected cases of Welfare Fraud under this Policy.

Overpayment: Any payment of funds that exceeds the amount to which the Client was lawfully entitled.

Overpayments Unit: The designated CCSD staff responsible for processing Overpayments for CCSD Community Services Programs Subject to this Policy.

Program Subject to this Policy (Program): This Policy applies to the Emergency Rental Assistance Program (ERAP).

VI. STANDARDS

A. Overpayments

1. The cause of an Overpayment may be:
 - a. Fraud. A Fraud overpayment occurs when a client knowingly misrepresents or conceals material facts to obtain benefits to which they are not lawfully entitled.(see ERAP Fraud Management Policy for Fraud processing);
 - b. Administrative. Overpayments due to Administrative Error, these are non-fraud overpayments that occur when:
 - a) A client unintentionally gives the Department incomplete or incorrect information or fails to correct erroneous information; or
 - b) A client is overpaid at no fault of their own
2. Regardless of the cause of an Overpayment, the Client is liable for the amount of the Overpayment and subject to Collection.
3. Overpayment procedures will be conducted in a timely manner in accordance with the timelines prescribed in Section VII(C), below.

B. Prudent Decision-Making Principles

1. The policies and procedures included in this Policy compile and prescribe guidance for Overpayments. Employees will use reason and apply good judgment in making decisions when addressing specific scenarios not directly addressed by this Policy or referenced Authority. Decision-making by Employees is based on the best information available, program

knowledge, experience and expertise is referred to as the Prudent Decision-Making Principle. Prudence may also include seeking CCSD or DES guidance on specific Program or policy interpretation. Employees should document their rationale used to make decisions not contemplated by this Policy or Authority, and cite any applicable references.

D. Policy Administration

1. Updates and/or amendments to this Policy will be issued as complete numbered revisions, superseding this Policy, in conjunction with any relevant Policy Memorandum summarizing changes.
2. Minor clarification to this Policy may be issued in the form of Policy Memoranda, providing interim guidance between revisions.
3. Questions or requests for clarification regarding this policy should be submitted via email to:

dcadpolicy@azdes.gov

Subject: Overpayments Policy Questions & Clarifications

Please include your name, a contact phone number, and details regarding your inquiry.

VII. PROCEDURES

A. Overpayment Monitoring

1. Employees will monitor payments of funds to Clients to ensure that payments are in compliance with applicable guidance and do not exceed that to which the Client is entitled.
 - a. Overpayments will be monitored by Employees at the following times:
 - i. At each application for benefits;
 - ii. At each renewal or recertification of benefits; and
 - iii. During any case audit or review conducted in accordance with Program monitoring procedures.
 - b. Overpayments may also be discovered as a result of the following:
 - i. Appeals decisions
 - ii. Monitoring / quality assurance reviews; or
 - iii. OIG Investigation.

B. Documenting Overpayments

1. Overpayment and Fraud Report

- a. Overpayments are documented by CCSD Employees utilizing the Overpayment and Fraud Report (DCAD-1002A). The appropriate Employee to document the Overpayment is generally:
 - i. The reviewing staff who discovered the Overpayment during Application, renewal, or recertification of benefits; or
 - ii. The staff in receipt of the Appeals Decision, OIG Investigation Report, or other documentation/information which identified the Overpayment, unless otherwise delegated.
 - a) When information is received regarding an Overpayment, the respective Program Manager may delegate documentation of the overpayment to an adjudicator specializing in that Program.
- b. Annotate all additional relevant Applicant, case, and Overpayment data, such as:
 - i. Applicant and contact information;
 - ii. Program information;
 - iii. The Employee's name as a point of contact for the Overpayment;
 - iv. How the Overpayment was discovered, and approximate date(s) of the Overpayment;
 - v. A summary of the nature of the Overpayment; and
 - vi. Any other relevant information.
- c. List attachments related to the Overpayment for inclusion in the case file for processing.

2. Overpayment Worksheet

- a. The Overpayment Worksheet is completed by the Overpayment Unit.
- b. The Overpayment Worksheet is an attachment to the Overpayment and Fraud Report that is used to document Overpayment calculations, including but not limited to:
 - i. Application household data (initial Household application data relevant to benefit calculation, including number of Household members, energy need, monthly income, monthly utility cost, and energy burden);

- ii. Household adjustments (addition, removal, or changes to Household members or Household member data);
- iii. Income adjustments (increases or decreases to any existing Household member income);
- iv. Approved cost adjustments (increases or decreases to any approved rent, utility, or other expenses or costs); and
- v. Any other information relevant to calculation of a Household's corrected benefit and Overpayment.

3. Overpayment Verification

- a. ERAP is a sunset program that is not eligible for Overpayment Verification.

C. Fraud Reporting

- 1. When the cause of an Overpayment is due to Fraud, any Fraud processing must occur prior to Overpayment processing.
 - a. Any Overpayment due to Fraud will first result in a Fraud Referral, in accordance with the ERAP Fraud Management Policy.
 - b. Overpayment Processing will be conducted in accordance with Section VII(D) upon the completion of Fraud Referral processing and return of the case to CCSD for action.
 - i. Refer to ERAP Fraud Management Policy for Fraud Referral procedures.
 - i. If CCSD's calculation of an Overpayment due to Fraud does not match the fraudulent payment amount determined by OIG investigation, consultation with OIG prior to action is required.
- 2. When there is no evidence of Fraud and the cause of an Overpayment is Administrative, Overpayments will be processed promptly, in accordance with Section VII(D), Overpayment Processing.

D. Overpayment Processing

- 1. Referring an Overpayment
 - a. Adjudication Staff will complete the Overpayment and Fraud Report, Sections I - III, and Items 24, as applicable.
 - i. The Manager or Designee, will regularly monitor Overpayment and Fraud Reports to ensure accuracy, timeliness, and validity.

- b. The Overpayment Unit will review and validate referred Overpayments:
 - i. Validated Overpayments are processed for Collection; and
 - ii. Overpayment referrals that are unable to be validated may be returned to the Employee for any correction, coordination, or further action.
 - iii. Invalidated Overpayment referrals are closed with no action.

2. Overpayment Collection

- a. An Overpayment Collection is initiated when the Overpayment Unit sends the Notice of Ineligibility and Overpayment. The Notice of Ineligibility and Overpayment includes:
 - i. The date of the Notice;
 - ii. Notification that the client's eligibility was redetermined;
 - iii. The portion of the client's benefits for which they were ineligible;
 - iv. Why the client was determined to be ineligible for the benefit;
 - v. The amount of the Overpayment; and
 - vi. An explanation of the Client's right to file a grievance.
- b. Overpayment Collections are forwarded to OARC for processing no earlier than 30 calendar days after Notice. OARC may collect Overpayments via payment plan or other enforcement:
 - i. OARC processes Overpayments upon receipt.
 - ii. Filing of a timely Grievance may pause Collection processing, pending the outcome of the Grievance.
 - a) CCSD will provide notification of any change in processing/action that results from a timely request for Administrative review.
 - b) A client may request Overpayment enforcement be paused pending a timely Appeal.
 - iii. In the event any collection or enforcement actions are paused due to a timely grievance, processing will resume upon a finding/decision upholding the Overpayment.

- a) Collection processing will be terminated upon a finding/decision that remands the overpayment to CCSD for correction.
- iv. If any enforced collection is later reduced or eliminated due to an appeal, a refund or other adjustment will be issued.

E. Duties and Responsibilities

1. CCSD

- a. Identifies Overpayments using the Overpayment and Fraud Report.
- b. Identifies and refers Fraud in accordance with ERAP Fraud Management Policy, as applicable. Overpayments will be processed only after completion of any applicable Fraud processing.
- c. Refers Overpayments to OARC for Collection and processing.
- d. Adjudicator Responsibilities
 - i. Completes Overpayment and Fraud Report and provides it to:
 - a) OIG when Fraud is identified (i.e., an Overpayment due to Fraud, and a Fraud Referral conducted in accordance with ERAP Fraud Management Policy)
 - b) The Overpayment Unit when an Overpayment is identified without Fraud (due to Administrative Error).
- e. Overpayment Unit
 - i. Receives notifications of Overpayments. Upon receipt of a notification of Overpayment, will:
 - a) Review Overpayment;
 - b) Complete the Overpayment Worksheet to attach to the Overpayment and Fraud Report;
 - c) Take action on validated Overpayments. If Overpayments are not validated, resolve prior to action or close, as appropriate.
 - ii. Sends Notice of Ineligibility and Overpayment.
 - iii. Forward validated Overpayments to OARC for processing.
- f. FBO
 - i. Coordinates with OARC for allocation of collected funds to appropriate CCSD Program/account.

2. OARC

- a. Upon receipt of an Overpayment and Fraud Report, initiates processing of the Overpayment:
 - i. Establishes a repayment schedule or negotiates for repayment with the Client; and
 - ii. Functions as the central unit for tracking Overpayment balances.
- b. Manages Overpayments for ERAP:
 - i. Maintains an accounting system to monitor all active Overpayments;
 - ii. Records the amounts of all funds collected from all Overpayments;
 - iii. Maintains correspondence from Clients from who Collections are being made;
 - iv. May suspend or terminate an Overpayment due to a determination that collection of the overpayment is no longer cost effective, in accordance with OARC policy and procedures;
 - v. Locates and contacts nonparticipants against whom collection action must be taken and for whom there is not a currently known location;
 - vi. Pauses enforcement action upon notification that a timely Grievance was filed;
 - a) CCSD will provide notification of any change in processing/action that results from a timely request for Administrative review.
 - b) A client may request Overpayment enforcement be paused pending a timely Appeal.
 - c) Any paused enforcement action will be resumed upon a final finding/decision upholding the Overpayment.
 - vii. Amends or terminates Overpayment and enforcement action, when a finding/decision remands the overpayment to CCSD for correction;

- a) CCSD will provide notification to OARC of any amendments to an Overpayment required due to an appeal finding/remand.
 - viii. Determines the method used to collect the Overpayment;
 - ix. Identifies those Clients that have failed to make installment payments on their Overpayment;
 - x. Sends repayment agreement letters relating to all Overpayments; and
 - c. Sends monthly Overpayments report to CCSD Finance and Business Operations for review and processing of collected CCSD Overpayments.
3. ASA
- a. Processes Client appeals in accordance with CCSD Grievances Policy and ASA policy and procedures.
 - b. Refers action on appeals to CCSD for processing.

F. Confidentiality

1. All personally identifiable information concerning any applicant for benefits, or claimant for any grievance, is confidential under A.R.S. § 41-1959 unless such confidentiality is waived or otherwise provided by law.
2. The U.S. Treasury, Office of Inspector General, U.S. Department of Health and Human Services, and the U.S. Government Accountability Office, or authorized representatives of either, shall have the right of access to confidential records to conduct audits or investigations in accordance with A.R.S. § 41-1959(C)(5).

G. Records Retention

1. Records shall be maintained in accordance with the CCSD Records Retention Schedule, DES *Records Management and Reports Policy* ([DES 1-37-12](#)) and associated procedures ([DES 1-37-12-01](#)), and applicable law and regulation. Records must be kept for five (5) years for ERAP. If any litigation or claim is started before the expiration of the retention period, the records must be retained until all litigation or claims involving the records have been resolved and final action taken after all funds allocated to the state have been expended.

Appendix 1 - Notice of Ineligibility and Overpayment

See next page

NOTICE OF INELIGIBILITY AND OVERPAYMENT

Dear [TenantName],
[ADDRESS LINE 1]
[ADDRESS LINE 2]

Notice Date: [NOTICE-DATE]
Application ID: [APP-ID]

The Department of Economic Security (DES) received your application for Emergency Rental Assistance Program (ERAP) benefits on [APPLICATION DATE]. Your application was approved on [ORIGINAL APPROVAL DATE]. After further review, DES has determined that you were not eligible for these benefits and is revoking your eligibility effective [ORIGINAL APPROVAL DATE]. This determination was made for the following reason(s):

[FORMAT TEXT]

As a result, DES has determined you were overpaid on these benefits. The total amount of the overpayment is [AMT-OP]. If this benefit was not paid to you directly, it was paid on your behalf to your landlord or servicing utility provider.

You have the right to appeal this determination. Your appeal rights are explained below.

You may view your original benefits application by logging into your account at:

<https://era.azdes.gov/login>

APPEAL RIGHTS

You may request an administrative review of this outcome by submitting [this form](#) within ten (10) calendar days from the date of this letter. Your case will be reviewed to determine whether program guidelines were correctly applied, and you will be able to provide additional documentation or explanation. This process provides an expedient means to review your case, and does not limit your rights to a later appeal. You may also submit an appeal to the Appellate Services Administration, even if you also submit a request for administrative review. You may appeal by completing and submitting [this form](#) within twenty (20) calendar days from the date of this letter.

****Please do not reply to this email. This email address is only for outbound messages and is not monitored.****

Equal Opportunity Employer/Program • Under Titles VI and VII of the Civil Rights Act of 1964 (Title VI & VII), and the Americans with Disabilities Act of 1990 (ADA), Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, and Title II of the Genetic Information Nondiscrimination Act (GINA) of 2008, the Department prohibits discrimination in admissions, programs, services, activities, or employment based on race, color, religion, sex, national origin, age, disability, genetics and retaliation. The Department must make a

reasonable accommodation to allow a person with a disability to take part in a program, service or activity. For example, this means if necessary, the Department must provide sign language interpreters for people who are deaf, a wheelchair accessible location, or enlarged print materials. It also means that the Department will take any other reasonable action that allows you to take part in and understand a program or activity, including making reasonable changes to an activity. If you believe that you will not be able to understand or take part in a program or activity because of your disability, please let us know of your disability needs in advance if at all possible. To request this document in alternative format or for further information about this policy, contact 1-866-494-1981; TTY/TDD Services: 7-1-1. • Free language assistance for DES services is available upon request.